PRACTICE OF MANAGEMENT ACCOUNTING

TITLE

IMPLEMENTING SHARED SERVICES CENTERS

CREDITS

This statement was approved for issuance as a Statement on Management Accounting by the Management Accounting Committee (MAC) of the Institute of Management Accountants (IMA®). IMA appreciates the collaborative efforts of the Finance Business Solutions Center at Arthur Andersen LLP and the work of Dr. C.J. McNair, CMA, of Babson College, who drafted the manuscript.

Special thanks go to Randolf Holst, CMA (Canada), Manager of Knowledge Creation at Arthur Andersen, for his continuing oversight during the development of the Statement. IMA is also grateful to the members of the Management Accounting Committee for their contributions to this effort.

INSTITUTE OF MANAGEMENT ACCOUNTANTS

Advancing the Profession™

IMPLEMENTING SHARED SERVICES CENTERS

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I. RATIONALE

Continuous improvement is an essential element in any effective business strategy. Whether these improvements are large or small in scale, achieved on the factory floor or in the back office, the goal is the same—to better leverage the resources of the organization to create optimal value for customers and other key stakeholders. Enabled by rapid advances in technology, the drive to achieve worldclass performance standards is resulting in innovative structures, strategies, and solutions to complex business problems.

Staff services activities are not exempt from the ongoing pressure to become more efficient and market driven. In fact, the increasingly complex, costly support services within organizations are prime candidates for cost reduction and simplification.

Shared services centers (SSCs) are being created in organization after organization as the optimal solution to the need to both reduce the cost and improve the performance of core staff services, such as finance, human resources, legal, and facilities support. Organizations such as AlliedSignal, Monsanto, Amoco, Baxter International, Tenneco, Johnson & Johnson, General Electric, IBM, Hewlett Packard, American Express, BFI, New York Times, Case Corporation, and Lockheed Martin are turning to SSCs as a viable alternative to outsourcing, reengineering, organizational restructuring, or other related "solutions" to the staff services cost/performance challenge.

As companies seek out new ways to refocus their resources into value-creating activities and reduce nonvalue-added costs and efforts, the drive for innovative SSC-based solutions will grow. Whether initiated as part of an organization-wide initiative to reduce unessential costs or as the result of a focused, benchmark-driven improvement effort, the SSC concept can lead to superior perfor-mance. Offering optimal benefits with minimal risk, a well-designed SSC can transform "over-head" efforts to profitable business endeavors. SSC is a concept whose time has come.

II. SCOPE

This Statement on Management Accounting (SMA) provides practical operating principles and recommended approaches for implementing shared services centers. This SMA supplements the Institute of Management Accountants' SMAs, *Redesigning the Finance Function*, pub-lished in 1997, and *Tools and Techniques for Redesigning the Finance Function*, 1999.

This SMA is intended for organizations that have already decided to implement SSCs. The con-cepts to be discussed apply to:
- businesses that produce a product or a service;
- enterprises in all business sectors;
- public and private sectors; and
- small and large organizations.

The information in this SMA will help financial practitioners and others:
- define shared services centers;
- understand the benefits of implementing shared services centers;
- comprehend the basic issues in designing and implementing effective, customer-driven shared services centers;
- discern the pitfalls and key success factors in implementation;
- appreciate their roles and responsibilities in the implementation process; and
- broaden employee awareness and obtain employ-ees' buy-in for the shared services concept.

III. SHARED SERVICES DEFINED

The essential element of the SSC is the provision of a commonly used service, such as accounts payable processing by a single organizational entity for two or more business units. The providing entity often is called a shared services center.

The following characteristics define the modern shared services approach. SSCs are independent organizational entities that:
- operate as a business;
- provide well-defined process or knowledge-based services for more than one unit of a company (e.g., division, business unit);
- have their own dedicated resources;
- utilize contractual arrangements (known as service-level agreements) with their internal customers to define the type, scope, and price of the provided services; and
- are fully responsible for managing their costs, quality, and timeliness of services.

The underlying philosophy supporting the movement toward shared internal services is that best practice management concepts and leading-edge technologies can be combined to deliver the highest value services at the lowest cost to internal customers. A second major element of the SSC approach is that these units are business oriented in structure, objectives, and evaluation. This business-oriented structure creates accountability within the staff service areas of the organization. It has been found to be more effective than having multiple points of responsibility and varied management practices (the traditional approach).

In a shared services environment, a unique service provider/recipient relationship is established that proxies those existing between external, independent suppliers and the service user. The same best practices used to gain a competitive advantage with external customers by other parts of the organization are applied internally to create a partnership that meets the needs of both sides of the internal relationship—customer and supplier.

EXHIBIT 1. COMMON SHARED SERVICES CANDIDATES

FINANCE	• General ledger • Accounts payable • Internal audit	• Accounts receivable • Purchasing • Insurance	• Tax compliance • Cash management • Foreign exchange
HUMAN RESOURCES	• Payroll processing • Compensation administration	• Benefits administration • Training & education	• Relocation services
INFORMATION SERVICES	• Standards • Technology/development	• Applications development • Applications maintenance	• Telecommunications • Hardware & software acquisition
LEGAL	• Litigation support and coordination	• Environment, health, and safety consulting/ auditing	• Regulatory compliance
CORPORATE AFFAIRS	• Communication services	• Media relations	

Internal customers gain influence, ultimately being able to specify what services, and how much of them, they need. In addition, internal customers can expect service providers within the shared services business unit to be responsible for and responsive to meeting their service requirements. Service providers, on the other hand, can expect to have their performance evaluated objectively as a result of having measurable criteria in place. This shift makes it easier for staff service managers to understand what service is expected, when, where, and how. Eliminating ambiguity has the desirable effects of reducing conflict and improving communication, lowering costs, and improving satisfaction and delivery of internal services.

A broad number of support areas have been effectively restructured around the SSC model, as illustrated in Exhibit 1. Many of these applications are transaction-oriented, volume-sensitive services that require specialized, functional expertise. Clearly, exceptions exist to these characteristics, but the optimal benefits of SSCs are obtained when technology can be leveraged to achieve economies of scale. Corporate functions such as those related to business-wide strategies and policies, resource allocation functions, the development and maintenance of technical expertise for strategic advantage, and performance management, are not normally candidates for SSC-based solutions.

Transaction-based activities may be consolidated into a SSC designed to process paperwork efficiently and provide consulting advice related to administrative transactions. When National Semiconductor (NSC) created a shared services unit, most activities were transactions such as retirement updates, records (address change, forms), payroll (vacation transactions), basic policy questions, training registration, and job posting. The mission of the NSC Service Center is "to provide highly accessible and flexible worldclass human resource services to all NSC employees."

Northern Telecom has a service center for 22,000 U.S.-based employees with 15 customer service representatives and 8 benefits specialists. They estimate a reduction from about 70 employees handling these transactions before to about 38 (including data process support and management). Eli Lilly has merged into their "administrative/HR services" a range of administrative services beyond employee transaction services, including employee health services, employee benefits administration, aviation department, security, and food service.

There is often confusion about the difference between shared services and centralized support service (i.e., finance) functions. Shared services is not the rebirth of centralization. Although the move to a shared services structure geographically may look very similar to a move towards centralization, these two concepts differ in a few very important ways. Specifically:

SHARED SERVICES

- Focus is on needs of internal "clients" such as business units or divisions
- The type and scope of services are negotiated and defined upon client needs.
- Locations of SSCs are chosen to best serve key clients.
- The SSC has full responsibility for both costs and quality of service delivered.
- Performance is assessed against service-level agreements and regular reviews.

CENTRALIZATION

- Head office/corporation concerns dominate.
- Services tend to be standardized regardless of the needs of the units being supported.
- Centralized services are usually located at corporate headquarters.
- Support managers have little accountability for service cost and quality.
- Performance is judged solely on budget and against corporate objectives

In a centralized organization, corporate controls the resources and dictates policies, programs, and procedures to the field. In a shared services organization, resources from the field are shared (which may look like centralization), but the control over the use of these resources resides in the field. Centralized services control the field; the field controls shared services. Centralized resources determine policy for the field to follow; shared services facilitate learning as requested by the field. Centralized resources retain power at the top of the hierarchy; in shared resources, power and influence are dispersed to the field. Centralized resources push activities to the field; in shared services, the field pulls resources from corporate. One manager of shared services summed up the argument of shared services not being centralized with the quip: "the user is the chooser." The field (user) controls activities (chooser).

SSC is entrepreneurial in nature, providing the profit/performance incentives of a freestanding business for internal services. Volume-driven services are thereby transformed into centers of scale, while knowledge-based tasks are recreated as centers of expertise. What defines a likely candidate for SSC treatment? For volume-driven functions, the following features increase the desirability of SSC solutions:

- the affected work is performed commonly across business units;
- customer/client needs are relatively uniform across many/all business units;
- the tasks performed are repetitive or routine in nature;
- there is significant duplication of the activity within the enterprise, providing the opportunity to leverage best practices from multiple sites;
- high automation content or the opportunity to exploit technology exists;
- high volume and transaction intensity provide economies of scale potential;
- there are few regulatory, legal, or union constraints;
- the affected activities impact a significant number of employees or subunits; and
- financial and business risks are low.

Relatedly, knowledge-driven tasks also can lend themselves to shared services approaches if they meet all or most of the following characteristics:

- they are performed commonly across multiple business units;
- there is reasonable conformity in customer/client requirements;
- formula-driven approaches, rather than custom solutions, are more common;
- current efforts are fragmented or diffused across disciplines, which provides an opportunity to create cross-functional solutions that leverage organizational competencies; and
- the potential SSCs activities would be relevant for most teams, departments, subunits, or managers in the organization.

The more uniform, common, and generic the demand on a service, the more likely it is to be a good candidate for an SSC implementation. On the other hand, focused, unique, or specific applications are shared services candidates in only a few, specific cases. Relationship-driven services, for instance, are not good candidates for shared services because they are either unique to one unit or tied to discrete or strategic imperatives—the requisite potential for leveraging resources to improve performance of a common transaction- or knowledge-based task does not exist. Exhibit 2 illustrates a hypothetical, conceptual shared service framework.

In the past, shared services efforts typically involved discrete functions, such as information systems, human resources, or finance, and they focused on transactional areas, such as payroll

EXHIBIT 2. CONCEPTUAL SHARED SERVICES FRAMEWORK—CIBA GEIGY MODEL
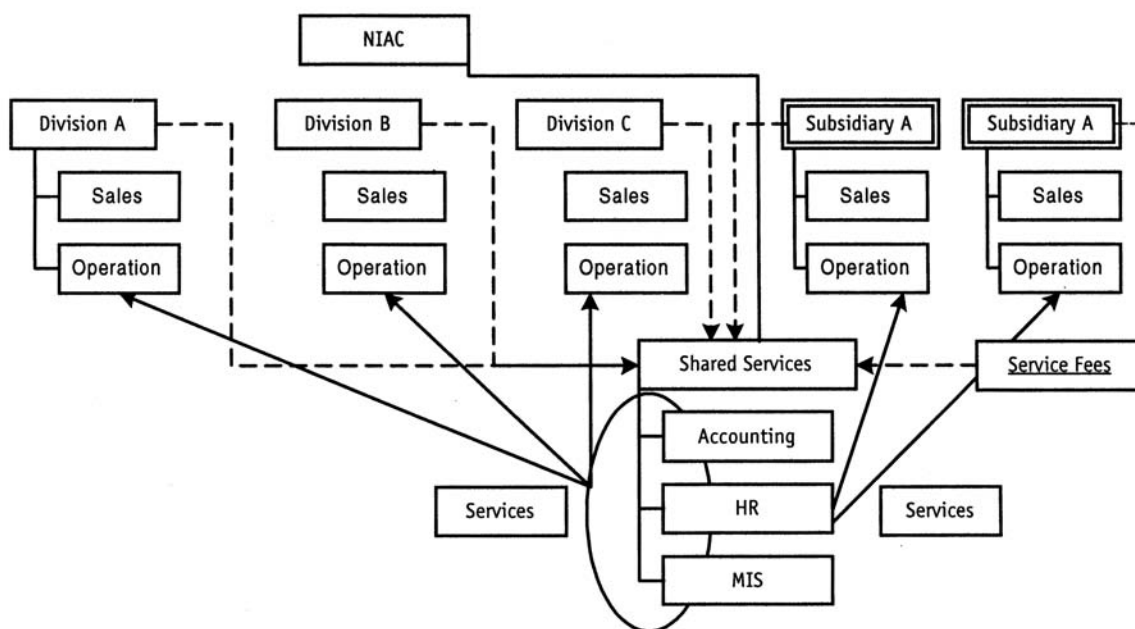
processing, data systems entry, or benefits claims processing. Amoco was the first large company to bypass this piecemeal approach in favor of an organization-wide emphasis on all staff services and internal support groups. Senior management reasoned that since these functions were addressing the same set of internal customers in the same business units, why perform them individually for each business unit?

Soon, other companies began taking more of an umbrella approach to how they delivered internal services. Often, these changes were launched as part of, or concurrent with, some sort of reorganization or reengineering process. For example, Monsanto, like Amoco, evaluated its shared services and service delivery mechanisms at the same time it was considering a reorganization of its business units. The company converted to 15 business units, eliminating its group structure,

and formed Monsanto Business Services as the 16th business unit.

AlliedSignal (AS), another shared services pioneer, wanted to create a unified corporate culture after acquiring businesses with a variety of operating styles. AS was also exploring how to centralize transaction-processing operations. As part of a unit-by-unit, function-by-function reorganization, AS decided to take the process to a higher level by combining all shared services and operations— finance, IS, administration, travel, and others— into a single internal business services operating unit (AlliedSignal Business Services), further leveraging the shared services initiative. Subsequently, the company formed a global shared services operation.

The ultimate goal of an SSC solution is to increase both the efficiency and effectiveness of the support services activities. Achieving this

goal depends on the ability to leverage existing or potential knowledge, technology, or specialization within the organization. A well-designed, implemented, and managed SSC can provide a wide range of benefits for the adopting organization.

IV. WHY IMPLEMENT A SHARED SERVICES CENTER?

Implementing a shared services center is no small undertaking. The physical logistics must be considered, along with the impact on employee morale and headcount. There are some distinct advantages and disadvantages to adopting an SSC approach, and several tradeoffs come into play.

On the downside, a large capital outlay is often needed to establish a physical location, install telecommunications and data systems, and relocate employees to staff the center. There is also the cost of consolidating disparate data sources and converting the data to a common format for the central system.

Another disadvantage is the loss of face-to-face service. Particularly as it relates to the human resources function, employees may feel that HR has become depersonalized. This may especially become true as employees assume more responsibility for their own HR information and as companies implement automated workflow and other nonhuman methods of accomplishing processes that once involved personal interaction.

On the upside, however, proponents of shared services centers believe that the organizational efficiencies, cost reductions, and consolidated accountability that come with the centralization far outweigh the disadvantages. By consolidating services and data, organizations have the opportunity to achieve economies of scale and virtual-ly eliminate redundancies. Customer service levels can improve, 24-hour or extended-hour service can be provided, and the quality of communications can be improved as dedicated, knowledgeable representatives disseminate consistent information.

An additional benefit is the synergy and knowledge transfer that occur when experts come together in the SSC with a common goal. The experience gained by individuals at different sites can now be combined to create best-practice solutions to corporate problems. Organizations are also realizing that training can be made more efficient and consistent in a shared services environment. The effects of staff turnover and absences are minimized, as there are always similarly trained individuals available to fill in. This reduction in vulnerability is significant, especially when, in a decentralized situation, there could be an impact on service if even one individual is absent. The effects of cross-training service center employees also make jobs more interesting, rewarding, and challenging. Other benefits of implementing an SSC include:

- running an SSC as a business of its own creates strong incentives to focus on customers and quality;
- standardizing processes and integrating technology help ensure reliable, efficiently maintained data;
- integrating technology and standardizing processes allow more efficient access to data and the implementation of data warehousing concepts;
- a high degree of customer orientation and the advantage of integrated technology ensure customized reports that meet the needs of management;
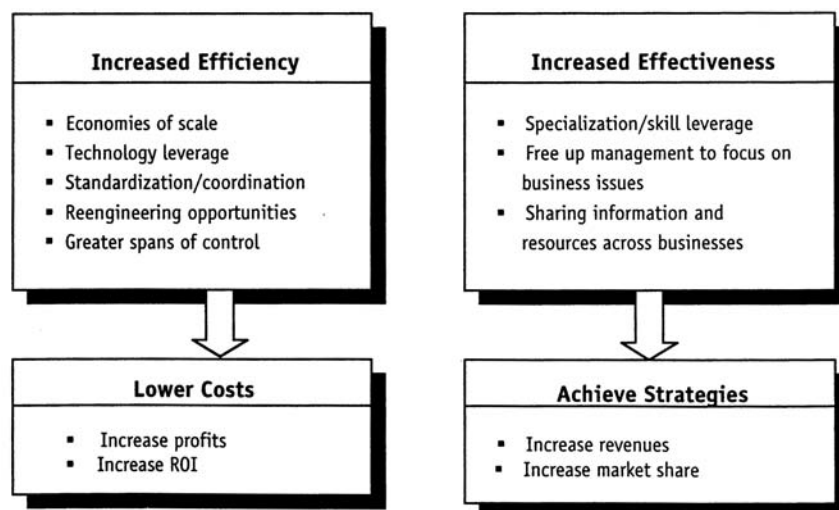
- consolidating resources allows efficient work load planning and an overall optimization of capacities;
- implementing a shared services solution will significantly reduce the tension between the support and front line personnel;
- business units can focus on improving performance in their core business areas; and
- redundancies in data entry and other non-value-added processes are eliminated.

Shared services centers are not simply another cost reduction scheme that results in reduced service levels, however. Cost reduction programs tend to look at costs without any real regard for customer needs or service requirements. They also generally rely on some arbitrary cost or headcount reduction to achieve targets rather than on eliminating or streamlining work. Finally, cost reduction drives do not necessarily lead to organizational redesign except through changes in span of control or the total layers of management in an organization.

A shared services approach differs markedly from its cost reduction counterpart. First, SSC starts with customer needs and requirements, with the goal to improve the service level provided. SSCs balance effort and costs with customer satisfaction and external benchmarks of performance to ensure that cost/quality tradeoffs are made without jeopardizing the meeting of customers' needs. Finally, an SSC solution relies on the radical redesign of how work is delivered as well as where staff is located and used to ensure that waste and nonessential activities are removed to make way for an increase in the amount of value created for customers (internal and external).

The benefits from SSC implementation relate back to the underlying business drivers. First, costs are reduced because redundant services and their related systems and people costs are eliminated and redundant data entry and non-value-added work are reduced.

EXHIBIT 3. SHARED SERVICES BENEFITS

Increased Efficiency

- Economies of scale
- Technology leverage
- Standardization/coordination
- Reengineering opportunities
- Greater spans of control

Lower Costs

- Increase profits
- Increase ROI

Increased Effectiveness

- Specialization/skill leverage
- Free up management to focus on business issues
- Sharing information and resources across businesses

Achieve Strategies

- Increase revenues
- Increase market share

Relatedly, operational excellence and improved information needs are met as data entry duplication and errors are minimized, resulting in increased consistency and reliability of the consolidated database. Best-practice organizations, in fact, have found that consistent service delivery and improved value focus within business units freed up from responsibility for support services easily offset the cost and effort of SSC implementation. Overall a shared services approach represents a potential source of advantage to multi-business organizations, as illustrated in Exhibit 3.

In 1995, Amoco embarked on a radical restructuring at the staff level. Benchmarking had shown that Amoco was far from where it wanted to be in delivering staff support. Management considered attacking the problem by reengineering the core business processes but instead decided to combine 14 different support functions—including corporate and business unit accounting, information systems, human resources, engineering and construction, safety, environmental, and purchasing—into one umbrella organization. Moving from a position of extreme decentralization, Amoco enjoyed success by achieving economies of scale, eliminating redundancies, and selectively outsourcing some functions. As a result, Amoco achieved $400 million in savings annually beginning in 1997.

V. THE ROLE OF MANAGEMENT ACCOUNTING

As with many initiatives within a corporation, SSC is built on existing knowledge and information within the organization. Management accounting is one of the core providers of information to SSC design, implementation, and management teams. Some of the ways that management accounting supports the SSC effort include:

- provide current estimates of average cost per transaction for targeted areas;
- create and support the development of a business case for SSC candidates;
- identify high potential areas in finance that would provide savings if SSC concepts are applied;
- work with the design team to analyze the potential costs and benefits of various SSC approaches;
- assess alternative solutions to SSCs, including outsourcing, to ensure that the optimal approach is chosen;
- support implementation teams by providing ongoing cost and performance estimates and tracking progress against deadlines;
- work on benchmarking initiatives to gather best-practice data for establishing SSC standards;
- develop realistic pre- and post-implementation measurements and assessments to support improvement efforts;
- work with new SSC managers to help them develop required business knowledge about their "business" and its underlying economics; and
- support the implementation team in assessing long-term information systems strategies and to prepare a high-level migration plan with estimated resource requirements.

As these points suggest, management accounting plays a key role in all implementation phases in any SSC undertaking. Ensuring that current performance is understood, that the best practice-based potential for improvement is documented, and that stated goals are attained are just a few of the activities requiring financial expertise. When the SSC implementation targets a finance area, such as accounts payable or accounts receivable, the financial professional is asked to fill the dual roles of information provider and implementation team member.

It is important to recognized blind spots common to many finance professionals that may be in the way. By training they are biased toward tools and techniques, by functional role they are focused on the "answer," and by experience they are used to getting things done in projects. These characteristics emphasize content over process. Yet the transition to shared services management concepts is process intensive. After all, the attention is directed toward better management workflow processes, not different functional content. The mental reorientation is from techniques to results, from the answer to awareness, and from project to process thinking.

VI. IMPLEMENTATION PHASES

No matter what type of change is being considered, there is no one implementation approach that is right for every organization. Every approach has its own unique risks and benefits that make it better for one company or application than another. While the two basic underlying principles—increased efficiency and enhanced effectiveness—apply to all settings, how these goals are attained can differ significantly.

Without a sound implementation strategy, an SSC can actually increase inefficiency, cost, and errors. The key is to eliminate the bureaucracy and structure that gets in the way of creating a responsive customer-driven process. In other words, the creation of an SSC should be treated as carefully and conscientiously as the launch of a new product or business. Four key phases should be followed to successfully drive the implementation of a shared services approach:
● assess opportunities;
● design shared services center;
● implement shared services organization; and
● optimize shared services.

Each of these phases has a unique emphasis. For instance, opportunity assessment requires a broad review of all potential SSC applications and the potential for cost and performance improvements they offer. Included in these assessments are a broad range of strategic, tactical, operational, and economic issues, including the impact of the SSC on the responsiveness of a business unit to its unique customer needs, industry trends, and technological and economic constraints, just to name a few.

Once a sound candidate for the SSC project has been identified, attention turns to detailed design of the proposed center. Issues addressed at this point include determining how the shared services concept should be deployed, developing system specifications, and creating procedures and measures for its evaluation. At the point of implementation, attention turns to creating the SSC infrastructure and developing a migration plan for achieving stated goals. Finally, the implemented SSC becomes an ongoing candidate for improvement efforts as performance optimization is pursued.

Throughout, two basic principles drive an SSC implementation. First, staff support functions should be expected to act as any business would, tailoring their activities and services to the needs of their customers. And, as with any external service provider, these services must deliver the required level of value to customers at a price they are willing and able to pay. The rule of shared services is simple: If the internal provider cannot meet customer requirements as well as an outsource vendor, internal customers must be allowed to buy needed services from an outside organization.

A related principle is that an SSC is truly a shared enterprise—no one operating unit,

regardless of its relative size, "owns" the center. Each SSC is a freestanding business unit, operating independently of other business units. Objective economic and qualitative performance expectations and judgments are substituted for power and control within an SSC structure.

Opportunity Assessment

The essential ingredient in any successful implementation of a new business model is determining the proper scope for the effort. Within a shared services setting, a scoping exercise includes the choice of services to be shared, the identification of performance gaps based on benchmark and related data, and the preparation of a high-level migration path to achieve the SSC's stated goals and objectives. The opportunity assessment phase focuses on developing this high-level future model for the services to be provided; it includes a description of the affected processes, people, and technology. While the decision as to what services should be shared will differ from organization to organization, the assessment and choice of the best candidates for an SSC follows a similar path in all settings.

While the range of objectives driving the opportunity assessment phase is quite extensive, the actual work completed during this phase of the SSC implementation can be broken down into a few specific steps:
- determine the scope of the effort;
- organize and build the project team;
- develop a vision and direction;
- build an understanding of the current processes and costs; and
- develop the business case for change.

These steps provide the framework for assessing and choosing an optimal candidate for initial and downstream SSC implementation. Whether the SSC is the first such effort being made by the organization or the most recent in a long string of shared services initiatives, the same steps should be followed and the same care taken to ensure that the benefits of the effort exceed their related costs. Gaining this knowledge begins with defining the scope of the SSC effort.

Determine the Scope of the Effort

The scope of the SSC effort should be defined as early as possible. Three specific dimensions typically are included in the scoping analysis: geography, business units, and functions/processes. The first of these dimensions, geography, is concerned with the reach of the SSC initiative. Is the shared services concept going to be applied globally or be limited to a specific geographic area? If the geographic areas that could benefit from the SSC implementation are quite broad, what is the best migration path for their inclusion in the final system? These questions all have the same focus, to define the geographic limits of the SSC initiative and to ensure that any and all needed resources are identified and available.

The choice of which business units to include in the effort and which to exempt from the initiative is equally important to determine early in the effort. It is also important to determine which functions (i.e., finance, human resources) or processes (i.e., accounts payable, credit) are to be moved to the shared services model. In total, these decisions define the size and complexity of the SSC initiative. If the effort is the first of its kind in a company, it is important to place limits on the initial SSC implementation to optimize the probability of a smooth, successful completion.

Deciding which processes or functions to include in the SSC effort requires the organization to assess the degree to which the process is critical to business strategy success as well as how common the requirements for the service are

across the organization, as shown in Exhibit 4. As the exhibit suggests, if the process is strategic in nature, it is not a likely candidate for SSC implementation. In other words, SSC initiatives are best applied to any function or process that is *not* critical to the business unit's core business (i.e., accounts payable) or is performed in a similar way across multiple sites within the business at present. Transaction-intensive areas are often the best candidates for early SSC treatments, as they offer the potential for significant cost reductions as redundancy is removed and efficiency gained.

Not only should administrative units be considered during the scoping effort. For instance, claims processing within an insurance company can be the focus of a highly successful SSC effort. In this case, the increases in both efficiency and consistency lead to direct benefits for the organization's external customers. The use of a SSC for this core function of the insurance industry provides the means to increase the responsiveness of the organization to customer service needs while removing waste and cost from the internal systems. Whenever a SSC can

benefit both internal and external customers, its use should be aggressively pursued.

Amoco Oil approached the scope decision by classifying its functions and processes along two dimensions: "needed to win" and "needed to play." The former group included those processes that were critical to the success of the business unit, while the latter defined processes that were essential but not critical in nature. SSCs were confined to those areas not deemed critical to business unit survival. The optimal candidates proved to be the transaction-intensive areas, as is often the case, but the business units asked to retain their own decision support capability in the affected areas. To address this concern, each business unit retained a small financial staff to provide decision support. In this case, the SSC scope was "flexed" to allow for the unique needs of the business units.

No matter what function, process, business units, and geographic boundaries are chosen for the SSC project, it is critical that once defined, the scope not be allowed to expand. If during the course of the implementation it becomes obvi-

EXHIBIT 4. CRITERIA FOR SSC TREATMENT

	Highly critical	
	Maybe shared or unique	Likely to be unique to individual business
Degree to which process is critical to success of business strategies	Likely to be shared across businesses	May be shared or unique
	Not critical	
	Common	Unique
	Degree to which service level requirements are common	

ous that other geographic regions, business units, processes, or functions would benefit from the SSC effort, they should be placed on the list for downstream treatment. If the scope is not clearly defined up front or is applied inconsistently over the implementation, it will be difficult to achieve clear, definitive results. Scope problems, such as a poor focus or scope creep, can result in the abandonment or failure of the SSC initiative. Keeping the effort on track is an essential part of the mandate given to the project team.

Organize and Build the Project Team
The opportunity assessment phase emphasizes planning and fact finding. Defining the scope of the initiative is a key first step in this assessment, but once it is done, attention has to turn to the increasingly concrete steps of team development, visioning, developing an understanding of current processes and costs, and finally, building the business case for the effort.

The first of these steps, the organization of the project itself, includes finalizing the work plan for the effort, choosing and training the project team, and defining data collection requirements. Clearly, the choice of the project team is of first concern, as it is the team that should be making most, if not all, of these project recommendations and decisions.

The project team should consist of two key components, the steering committee and the project team itself. The steering committee, which oversees the effort, ensures organizational support, provides resources where required, and resolves high-level territorial or business unit disputes, should include both members of the corporate staff and representatives of the affected business units. The steering committee does not need to meet every day or be involved in all

aspects of the implementation. Instead, this group serves in a support and oversight role for the SSC initiative, which includes ensuring that core project team members are not drawn away from the SSC effort to return to prior work assignments.

The core SSC project team, then, should be made up of full-time members who are drawn equally from corporate, functional, and business unit staffs. The team should be small enough to be flexible and fast, yet large enough to include representatives of critical functions and customer groups. An ideal size for the core project team ranges from six to 10 full-time individuals for a moderately sized initiative. As illustrated in Exhibit 5, the SSC project team must complete a significant number of tasks.

As this list suggests, the choice of the team and its subsequent building into a cohesive group of individuals with a shared vision and required, yet complementary, skills and competencies is not a minor task. It is, in fact, the most critical decision made during the initial phases of the SSC project. It is the core project team that will ultimately make the initiative a success or a failure, by their insight, knowledge, people skills, and dedication to the effort—their vision for the SSC effort.

Develop a Vision and Direction
The vision established for the SSC will guide its implementation and long-term operation. The objectives of the vision include finalization of the scope definition, including the processes, functions, and systems to be included in the assessment. A second goal is to document the expectations for the project outcomes, including initial estimates of the potential target cost reductions and quality/service enhancements. Finally, the vision statement serves as a key medium for gaining top management buy-in and support. The

EXHIBIT 5. PROJECT TEAM STRUCTURE—ROLES

• Executive leadership • Key decision approval • Change agents • Issue resolution—organization-wide • Resource provision	**Steering Committee**	• Project leadership • Project management • Issue resolution • Risk management
	Project Management	

Systems	Process	SSC Build	Change Management

Functional
• Requirements analysis
• Application setup
• Business process simulation
• Reporting
• User procedures
• Testing
• Data conversion
• Training
• Support
• Application administration
	• Process analysis
	• Requirements
	• Country specifics
	• Process design
	• Business process simulation
	• Process documentation
	• Process training
	• Testing
	• Implementation roles
		• Management structure
		• Organizational roles
		• Culture
		• Recruitment
		• Support infrastructure
		• Physical & IT infrastructure
		• Working methods & behaviors
		• Performance measurement
		• Continuous improvement
			• Communications
			  - impact analysis & audience profiles
			  - audience-specific communication & feedback
			• Performance management & HR
			  - retention & exit
			  - recruitment/transfer
			  - performance management systems
			• Individual & team capacity
			  - competency impact & profiles
			  - training & education
			• Leadership/stakeholder
			  - visibility & alignment
			  - change agents
			• Change architecture
			• Culture

Training Technical Infrastructure
- Connectivity
- System architecture
- Desktop environment
- Hardware (server)
- Operating system
- Technical support
- Globalizations/localizations
- Unix operations admin
- Financials
- Backup & recovery
- Application software & patches

Technical Development
- Custom development & testing
- Non-standard reports
- Technical conversions
- Routines & programs

more clearly the vision for the SSC and its strategic and tactical impacts can be defined and communicated, the more likely the project is to gain acceptance and ultimately meet its goals.

The tasks that make up the vision and direction setting effort include:
- conduct executive surveys/interviews to identify preferences and expectations for the project;
- assess the degree of correlation between the corporate strategy and the SSC initiative; and
- hold the executive visioning session, which includes the following items: identify and prioritize the desired outcomes of the project; detail the scope and definition of shared services; identify and assess key problems and opportunities; surface and challenge project assumptions; develop targets to be achieved by the project; determine what processes, functions, and systems are to be included in a shared services analysis; and establish a high degree of ownership by senior management.

As this list of tasks suggests, the opportunity for improvement versus the critical nature of the process must be compared to determine what areas, if any, should be excluded from the shared services analysis and which should definitely be included. When completed, the visioning session results in a change strategy that shapes the design, implementation, and utilization of the SSC.

Shared services are the means used to gain specific ends: cost reduction and improved information content/availability, as shown in Exhibit 6. If current costs are high, a shared services solution will always be the preferred answer for any noncore support service. Current costs include such items as the total cost of providing a service across the entire company, including its information technology (IT) infrastructure costs and any caused administrative support or facilities expense.

There are times, though, when cost is not the key driver of the SSC effort. In this case, the focus becomes potential improvements in information system functioning or the increased availability of information on key issues. While driving an SSC effort on the information dimension is more difficult to defend and quantify, it can ultimately result in the achievement of a strategic or tactical advantage that improves the top line of the organization—revenue growth has a greater impact on profits than cost reduction.

The risks and potential rewards of the SSC initiative depend on the scope of the project, its clarity, and the support it receives from top management. During the visioning effort, these issues must be tightly defined and managed. If the culture of the organization is such that business units will resist the SSC concept, significant time will need to be spent in defining benefits in terms the business unit accepts. This will include building a communication plan that ensures that the progress of the SSC effort toward its goals is well known and understood.

EXHIBIT 6. THE INFORMATION/COST ANALYSIS
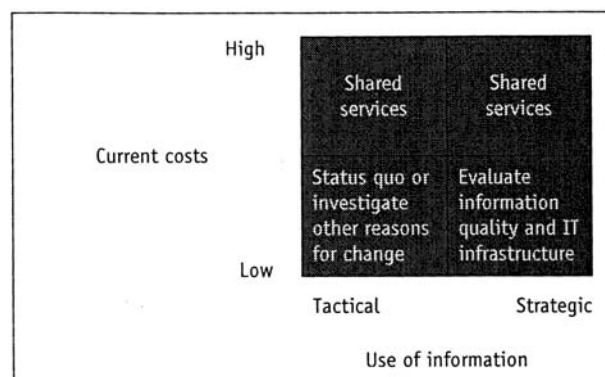
The vision must make clear the structure, function, and benefits of the shared services center approach and its relationship to individual business unit objectives and the overall strategy of the organization.

In 1984, General Electric (GE) established the Financial Services Operation (FSO), reporting to their comptroller. Its mission was to consolidate accounting work into four larger centers to achieve economies of scale and facilitate the installation of common systems. The FSO developed a vision that articulated a long-range goal of "providing accounting services to GE businesses, which are of superior quality and set industry standards." The strategy that was to take them to their destination focused on three objectives:

1. customer satisfaction through exemplary service and cost-effective processes (made tangible through benchmark comparisons);
2. employee involvement through empowerment (even though the leadership publicly acknowledged that there were going to be fewer jobs); and
3. corporate responsibility through functional leadership and controllership (in other words, lead the drive for improvements in accounting processes).

One way to ensure that the SSC provides optimal value to the organization is to do a comprehensive analysis of the current process and its costs, identifying where service or cost problems exist today. This information helps focus the SSC initiative on the issues and areas vital for its successful implementation.

Build an Understanding of Current Processes and Costs

Developing a basic understanding of the current "as-is" processes that are to be the target of the SSC implementation, as well as the supporting technologies, is essential in identifying the improvement targets. Several objectives need to be met during this stage of the opportunity assessment, including the development of baseline activity or transaction cost estimates along with their key drivers. A second goal is to map out the existing processes, providing a visual description of the current state that can aid in identifying common paths, common problems, and the potential for performance improvements.

A third concern of the SSC implementation is to assess the current applications and systems architecture to identify their capacity and capability to function adequately in the SSC environment. A shared service is only as good as its responsiveness and service quality, both of which are directly tied to the IT infrastructure. A fourth goal is to gain a better understanding of internal customer requirements and expectations for the service center. The final objective of identifying "quick wins" completes the list of goals to be achieved.

A key challenge during the fact-finding activity is to define the right level of detail for the process maps, measures, and methods to be used during the SSC implementation. If excessive detail is used, the project can bog down during the assessment phase, losing management interest and valuable time. If inadequate detail is obtained, it becomes difficult to conduct sensitivity analysis and to develop a successful, convincing business case.

As with each of the prior steps, a series of tasks needs to be completed during the fact-finding phase of the opportunity assessment, including:
- conducting interviews/surveys of core process members, field/business units and customers;
- facilitating focus groups to identify key issues,

activities, and drivers;
- analyzing data obtained from all sources to develop process maps and all related cost/noncost metrics;
- documenting business process flows;
- assessing customer needs and organization performance against customer/market strategies, customer operations, and customer-defined performance measures;
- performing organizational analysis;
- performing transaction/activity volume analysis using information collected during the data collection activity;
- identifying key business drivers and key performance indicators; and
- assessing current information systems environment and impact on shared services performance.

In exploring the "as-is" processes and business flows and comparing current performance against defined customer requirements, the SSC project team develops a sound understanding of major weaknesses and opportunities for improvement. Any major roadblocks to the SSC implementation can also be identified, including any resistance to the concept at the customer or business unit level. Finally, the identification and analysis of activities, cost, and drivers provides the baseline measures for driving performance improvements and assessing their downstream effectiveness.

At the heart of the fact-finding effort is the identification of key metrics and benchmark standards to assess current process performance and to create a viable migration and implementation path with objectives for the SSC initiative. For the internal provider of a service to be viable as a freestanding entity, it must be able to compete with external sources on key benchmark measures. In fact, internal providers need to be able to show that they provide more value per dollar of cost than external sources if they are to garner sufficient loyalty and support to remain a viable organization. The combination of awareness of customer requirements and knowledge of current performance provides the basis for developing the business case for the SSC initiative.

Develop the Business Case for Change

The culmination of the first phase of SSC implementation is the development of a business case that details the objectives, benefits, costs, and overall structure and nature of the SSC implementation and downstream operation. The objectives of the business case step are to compare the "as-is" performance to internal and external "best practices" in order to identify and prioritize improvement opportunities. The business case should also include a high-level "to-be" analysis of the people, process, and technology recommendations of the SSC effort and the related cost/benefit analysis embedded in this shift. Finally, the business case is the tool used to obtain the support and commitment from top management to proceed to the design phase of the SSC project.

The key deliverables within the business case includes a list of the preliminary service offerings of the proposed SSC, including their costs and benefits for the organization. Exhibit 7 illustrates such a hypothetical business case. The impact of technology solutions or improvements should be noted in the document. Senior management will also be interested in seeing a snapshot of the potential organizational structure for the SSC so that they can assess the potential to achieve stated goals.

A number of tasks must be completed if a sound business case is to be developed:
- identify opportunities and prioritize using brainstorming and analytic support to detail optimal

EXHIBIT 7. PROJECT/COST BENEFIT ANALYSIS

	Q497/1998	1998/99	1999/2000	2000/01	Total
Costs					
Project team's costs	$1,386	$2,331	$ 0	$ 0	$3,717
Team travel	162	310	0	0	472
Software licenses	150	0	0	0	150
Server depreciation	0	85	99	99	283
Cost of architect, development & conversion	0	350	0	0	350
PC's & facility costs – depreciation	0	14	32	32	78
Incremental DBA during implementation	0	110	0	0	110
Ad hoc report writing	0	100	0	0	100
Duplicate FTE during implementation	0	390	0	0	390
Redundancy costs	165	1,103	157	0	1,425
Consultancy commissionaire conversion	25	25	0	0	50
Extra cost of support post implementation	0	0	80	80	160
Recruitment & relocation	18	93	0	0	111
Gross cost	$1,906	$4,911	$368	$211	$7,396
Benefits					
Reduction in FTE's	0	581	1,062	1,062	2,705
Cost base reduction	0	183	458	458	1,099
IT support	0	140	280	280	700
Facilities savings	0	69	344	344	757
Facilities savings	0	2,545	0	0	2,545
IT upgrades saved on existing systems	0	3,518	2,144	2,144	7,806
Net savings/(cost)	$(1,906)	$(1,393)	$1,776	$1,933	$ 410

candidates for consolidation, potential quick wins, and long-term opportunities;
- make "best practices" comparisons;
- compare internal and external benchmarks;
- perform high-level gap analysis;
- design high-level reengineered processes;
- develop cost/benefit analysis;
- assess long-term information systems strategies;
- develop technology alternatives;
- review barriers and enablers to change;
- prepare high-level migration plan with resource requirements; and
- report to management.

A good business case should go beyond arguing for the change with promised benefits. It should provide detailed information on the baseline "as-is" costs. This is often new information for the organization and may take some discussion and interpretation to gain acceptance. The implicit goal of the SSC approach is to charge the internal customer with the actual cost of providing the service on a per-use basis. Market-based in nature, these charges provide the internal customer with a use-based fee for services consumed that provides these managers with greater control over their costs. Since these preliminary cost estimates are often quite startling on first glance, they can serve to push internal customers to become more careful about how and to what extent they use internal support services. This incentive helps to contain support staff costs over the long term.

The business case should also include both the preliminary change management plan and the proposed communication plan for the SSC effort. The change management plan should include not only key project milestones but also training and education plans for ensuring that affected individuals within the customer and provider units can operate effectively within the SSC environment. The communications plan plays a major role in gaining organizational commitment to the change and in reducing misunderstanding and stress due to the change in support service structures. A wide variety of mediums should be used to provide ongoing information about the SSC initiative to any concerned individual. Regular information-providing meetings should be held. A weekly memo or newsletter should track progress and revisit the scope, mission, vision, and opportunities for improvement embedded within the SSC. The goal is to provide the maximum amount of information to affected individuals to ensure that they both understand and support the change effort.

Moving to the SSC environment is, in the end, creating a new structure and incentive system for the organization. It requires careful planning and a design that reflects the current organization, its culture and expectations, and the constraints and demands that shape the daily lives of all participants. Creating a good design begins with knowing what is to be accomplished, what already exists, and how best to leverage scarce resources for maximum benefit.

Design Shared Services Center

The focus of the second major phase of SSC implementation is on developing a design for the shared services organization that standardizes processes and technology in order to ensure that the initiative achieves the expected benefits. An SSC implementation is no different than any other business endeavor—over 80 to 90 percent of the SSC's total performance and cost constraints are set during the design phase.

During the design phase, key decisions are made about where to place the SSC, what skills and competencies will be needed for the SSC initiative to succeed and where to obtain these human resources, and how to negotiate and structure service-level agreements.

Given the broad focus and critical nature of the design phase, a number of key objectives must be met if the SSC initiative is to deliver on its promised benefits, including:
- perform location analysis;
- design standard processes;
- assess business risk and control environment;
- develop service-level agreements;
- develop the SSC governance structure; and
- develop process performance measures.

Design and implementation of an SSC are iterative processes that are tied to an overall migration strategy for the management of support services activities and costs. Prior experience has shown that 50 percent of the total savings achievable in the shared services area comes from consolidation, 25 percent from standardization, and 25 percent through reengineering. This suggests that achieving the total benefits of an SSC initiative requires continuous improvement in all phases, from original scoping of the project through the development and application of optimization strategies. Determining the location of the SSC is the first of the steps taken in the design phase.

Perform Location Analysis

When developing an SSC, a key question that must be addressed is whether to use a "greenfield" approach or to locate the SSC in an exist-

ing location. A greenfield approach has many benefits, including the minimization of politics and perceived business unit ownership of the SSC. These benefits, though, are offset by potentially higher costs for the implementation, a fact that can seem at odds with the initial mandate for the project. For many organizations, a hybrid solution to the location decision appears to be optimal, one that reflects a combination of economic drivers, the strength of business unit autonomy, and the strength of corporate leadership.

Best practices SSC organizations typically operate regional shared services centers. A regional approach serves to reinforce the customer connections that underlie the SSC concept. Other best practice organizations place some shared service support in regional locations, while centralizing other, less customer-visible activities.

Monsanto has taken this approach, allowing each SSC manager to decide whether being close to the customer or having SSC team members close to each other is more important to the success of the initiative. One fact is clear—the more hands-on the service being provided, the more important it is to locate the SSC near the customer. The tasks that make up the location decision include:

- determine location analysis criteria, including access to airports, trains, highways, or other forms of mass transportation; work force availability and education; cost of land, real estate, taxes, and other factors; building availability; and financial incentives offered by one location or another;
- review and finalize SSC requirements for the amount and type of space needed;
- identify the potential set of locations and analyze in terms of the defined location analysis criteria;
- develop cost models for the various alternatives;

- narrow the initial set to two to three sites for in-depth analysis and identification of potential fit and costs;
- conduct in-depth analysis of potential buildings in each location, using both the location analysis criteria and cost estimates to evaluate each option; and
- make a choice and arrange for securing the site.

The cost and availability of all key resources, including space, people, and infrastructure, are the key concerns during the location analysis. The location analysis should delve into the costs to retrofit existing space versus the costs to create new space for the center.

Often a greenfield site will make it more difficult to get existing staff performing the target SSC functions to join the effort. Relocation is often not an option for many of the existing employees affected by the SSC initiative. Tax implications can be a major consideration, as state, national, and international locations each bring unique tax requirements and compliance costs.

Politics can play a role in the overall assessment, as each choice brings with it unique implications for customers, business units, and top management. Choice of the optimal location is not always a purely a rational, economic decision—it also can be a political process that requires compromise and flexibility. This is especially true when the SSC is to span national boundaries.

For example, European SSCs face significant cultural and political hurdles in their efforts to combine local, regional, and corporate staffing solutions. If the key criterion is a low-cost, flexible labor market, Britain may be the best choice for the SSC. If multilingual capabilities and percep-

tions of neutrality are key, Belgium or Holland may be good sites for a European SSC. Finally, if overall low costs and tax incentives are critical, Ireland can be a good site for an SSC for a global organization. As these European examples suggest, each potential location brings its unique benefits and costs. Understanding what these costs and benefits are and how they correlate to the overarching SSC objectives is the key to prioritizing and choosing an optimal location for the SSC. Having chosen a location, attention can turn to designing standard processes.

Design Standard Processes

Standardizing the core SSC processes is a major element in the attainment of cost and performance improvements. Several issues need to be addressed during this step in the implementation, including the design of the processes for the SSC down through the specific people and technology implications of the alternative process solutions. A number of process design success factors that can be used to guide this effort include:

- the need for new processes to meet business criteria;
- the need to be as simple, fast, and paper-free as possible;
- the need to implement process management and promote that concept for the entire company;
- integration of good performance measurements across individuals, teams, and departments to focus every individual on the mission and goal;
- automation of good metrics;
- careful definition of skill requirements;
- development of career paths; and
- sponsorship and recognition of teamwork.

As these critical factors suggest, the successful design of standardized processes begins with understanding what goals the process is to

attain. Making sure the revised processes are simple, paper-free, and well designed to make the optimal use of existing people and physical resources will help the SSC obtain optimal performance improvements. Finally, the process and SSC design have to recognize and reward individual and team performance, including the creation of a new evaluation and promotion structure that reflects key SSC criteria.

Standardization of processes is not done all at once. Since the implementation of an SSC is a migratory effort, the consolidation of the processes leads to some level of standardization, but it is reinforced and improved downstream through ongoing reengineering and process improvements efforts. The SSC project team cannot possibly foresee all of the details and processes that will need to be standardized, nor should they try. As the SSC goes into operation, both customers and the SSC employees will identify areas where standardization would improve reliability and performance. Building on this ongoing dialogue and commitment to change is an essential part of the standardization strategy.

Defining a standard process moves beyond the identification phase to the documentation of the specifications, requirements, and technical infrastructure needed to implement the SSC. The application software that interfaces with other systems, security, report format and frequency, and communications strategies must be defined in significant detail. The use of common systems is optimal, as it improves the efficiency of the process and reduces the total cost of design and implementation.

Several major tasks must be completed during the detailed definition of the standardized processes, including:

- determining functional requirements for processes to be migrated to the SSC, including system specifications and relationships as well as estimated transaction volumes;
- evaluating the capability of current functional applications to be the basis for the standardized solution;
- performing software selection analysis where required;
- designing technical infrastructure/network design;
- defining hardware including LAN, WAN, and networks;
- developing/identifying new or enhanced core systems;
- developing system interfaces;
- defining security requirements;
- designing reports;
- developing conversion programs; and
- performing conference room pilot.

While a complete standardization of the process is not the goal, several key tasks remain that must be attended to at this stage of the implementation. One of the most important is the identification and evaluation of the best functioning processes in each of the business units for inclusion into the SSC structure. This task is accomplished by performing process analysis, benchmarking, and flowcharting, as well as by creating a workflow design and routing for the standardized process.

Using internal best practices can improve the speed of the implementation and its level of acceptance by the organization. In fact, it has often been found that a compilation of internal best practices into one combined "straw man" SSC structure is optimal. This combined structure should incorporate one or more of the features of each existing service area. The resulting hybrid model can radically improve the accept- ance of the project and its support by the affected individuals and business units as it increases the level of ownership and understanding of the SSC structure and function. The degree and effectiveness of the final standardization strategy affects the business and control risks of the SSC project.

Assess Business Risk and Control Environment

A business risk is defined as any factor that can affect the delivery of the SSC project objectives. The management of project risk should play an integral role in the design and implementation of the SSC, shaping the analysis and data collection efforts as well as the design choices made.

Four key activities make up the risk management processes for an SSC initiative: risk identification, risk quantification, risk response development (mitigation strategy), and risk monitoring and control. The first of these, risk identification, involves noting each potential source of risk or complication for the proposed design and its implementation and documenting the characteristics of each risk. Repeated throughout the SSC effort, risk identification requires ongoing analysis, assessment, and scanning of the internal and external environment to ensure that changes to the organization or business events and their implications are not overlooked.

Risk quantification involves the evaluation of the risks identified to determine the range of possible impacts on the SSC initiative's outcomes. The goal is to determine which of the risks warrants further investigation and to formulate a response to the risk should it move from a potential to a reality for the project. For instance, it may be determined that there is a high probability that competitive outsourcing companies will begin to actively target some or all of the

affected business units' service needs. If this will result in a major loss of volume for the SSC, which will likely increase the cost to remaining business units, its impact on the costs, efficiencies, and performance of the SSC must be evaluated. The response made might include a reduction in costs, increase in service, or any number of other options that would increase the value delivered by the SSC and hence the likelihood of retaining the loyalty of the affected business units.

Developing a response to the identified risks may take one of three potential paths: avoidance, mitigation, or acceptance. An avoidance strategy would eliminate the risk by removing the cause for the underlying problem. Mitigation, on the other hand, would seek to reduce the probability that the risk occurs or, if it happens, the impact it would have on the implementation. For example, Platinum Technologies selected the following mitigation strategy in response to the SSC implementation risks it identified:
- extensive coordination and well-executed project management are critical;
- at the risk of productivity loss, communications must be complete, planned and timed appropriately;
- initial announcements should come from an executive sponsor outside the management of the SSC;
- affected management must be properly informed as follows:
  ✓ management should be informed at one time to avoid third-hand communication and perceived favoritism;
  ✓ expect affected managers to communicate the message to their respective reports; material must be accompanied by specific instructions on how to communicate the message;
  ✓ information communicated by management

must be concrete (regarding timing, compensation, expectations, future communication);
- backup transition plans are clearly articulated for:
  ✓ processes that directly interface with customers;
  ✓ sensitive areas such as payroll and accounts payable;
- smoothness of the transition to shared services will greatly affect the ongoing credibility of the SSC; and
- key management must be retained in "special project" roles to avoid a lack of qualified personnel to perform key work.

Finally, acceptance would indicate that the consequences of the risk are noted but that no active change to the process or the SSC initiative is made. Acceptance can be active or passive in nature. An active response will involve the creation of contingency plans, while a passive response will entail the acceptance of a higher cost or reduction in potential benefits. In this case, the project team is recognizing the risk exists but choosing to accept the problems that may come to pass as unavoidable or noncritical events.

The output of the risk response development effort will be the creation of a risk management plan detailing:
- the response to each of the risks;
- the event, or events, that will trigger the response; and
- the individual(s) responsible for the implementation of the response.

Having identified the risks and created a response for them, attention turns to monitoring the risks and executing the risk management plan to respond to any risks that become a reality. Normally, the response will involve the imple-

mentation of contingency plans or some change to the design or project that will work around the problem.

In performing the risk assessment, it is often useful to use some form of scoring device to determine which risks merit the most attention by the project team. While any number of approaches could be used, a simple rating of high, medium, or low can provide significant insights. A high risk would be one that is deemed to be capable of either stopping, substantially delaying, radically increasing the costs, or significantly reducing the delivery of potential benefits of the SSC. A medium risk level would be assigned to events that would cause some delay, cost increase, or performance shortfall but that would not threaten the ongoing viability of the project. Finally, low risk events are those that could impact the project to a limited extent, causing minor delays or cost increases.

Next, attention should be placed on the high-risk items, with the development of contingency plans or adjustments to avoid the problem becoming a priority for the SSC project team. Acceptance may be the best approach for low-risk events, while mitigation may be preferred for medium-risk issues. Whatever approach is taken, it remains critical that the SSC design effort ensures that the SSC will be able to deliver on its stated objectives, including those detailed in the service-level agreements.

Develop Service-Level Agreements

A service-level agreement is a formal contract or agreement between the shared services provider and its customers. Their use facilitates the development of an unambiguous, well-defined understanding by both provider and user of the SSC regarding the services to be provided and the costs that will be charged for them. An effec-tive service-level agreement goes beyond a mere billing agreement to include other key areas of the relationship including anticipated volumes, billing rates, quality and/or service expectations and guidelines, and methods for dispute resolution. Customer-defined performance measurements, such as timeliness and accuracy of the service provided, are often included as part of the service-level agreement.

The design of the service-level agreement is best done in a face-to-face meeting between the shared services provider and each potential customer/business unit. These meetings normally speed consensus building as well as pinpointing potential areas of dispute before any problems occur.

Aetna Life & Casualty includes the interests of multiple customers when crafting its service-level agreements. Since different business units often have different needs, the SSC managers ask the business units to negotiate and make required tradeoffs to optimize everyone's satisfaction with the standardized process and service level. Meetings between multiple users are often used to resolve potential conflicts and reach compromise solutions that are acceptable to all affected customer groups.

A successful SSC is market-driven. This translates to ongoing pressure on the SSC to perform its services within the price and quality limits set by competitors. Service quality dimensions that are often included as parts of the service-level agreement include: frequency of service delivery, response time, and dedicated customer contact. Exhibit 8 represents the framework used by Houston Industries to craft its various service-level agreements.

EXHIBIT 8. SERVICE-LEVEL AGREEMENT

Service-Level Agreement

Service product:_____   Contract period:_____

Supplier name:_____   Buyer name:_____

Business unit name: _____

1. **Description of service to be provided**
   End products to be delivered
   Skills that supplier must possess
   Level of service to be provided

2. **Service standard (performance measures)**
   Deadlines, response times, etc.
   Specific performance indicators

3. **Pricing**
   Charging for services provided (annual budget amount and charging method)

4. **Operating principles (major contingencies)**
   Handling of excess demand, allocation of budget variances, etc.

5. **Improvement initiatives**
   Specific improvement targets for selected cost and service standard indicators

Source: Houston Industries Incorporated

Actual pricing for the services may be fixed, variable, usage based, or value based. The ultimate choice of pricing schemes is a combined response to existing market practice, management requirements, and ease of use for customers. The basis for charging can include fees for use of specific services by customers, actual costs incurred for a business unit's support, or allocations based on head count, square feet, or some other logical proxy for the driver of cost in the SSC. Deere Credit Services' method of pricing has several objectives:

- to make sure users understand cost;
- to help determine levels of resources needed; and
- to ensure that the price represents a full absorption of cost and is comparable to marketplace rates.

In addition, Deere recognized that price adjustments could be used to drive behavior, so it is important to set and adjust prices according to what an organization wants to encourage. Regardless of the approach taken, an SSC must understand and meet the competition to remain a viable entity.

Develop the SSC Governance Structure

The development of a well-defined governance structure is an important element in the SSC design. Responsible for establishing SSC policy, resolving billing and service-level disputes, adding or removing services from the operation, setting performance goals, and establishing the reward structure are just of a few of the key functions performed by the governance body.

Any number of approaches can be used to structure the SSC management and policy solution. One model would be to use a steering committee comprising business unit representatives and key senior management of the corporation. An

alternative steering committee composition might include one or more of the senior executives responsible for the affected function with the corporation (i.e., the CFO, vice president of legal services, or the vice president of human resources).

At Amoco, a shared services council has been created. The heads of the 14 shared service centers as well as the senior vice president of shared services sit on the council. The council does not oversee day-to-day operations of the SSCs but instead provides a forum for discussing service agreement contract form and substance, policies and procedures for SSC operation, standardization, potential for integrated solutions across multiple business units or SSCs, and visioning. The council does not get involved in dispute resolution, leaving these issues to the discretion of affected SSCs and business unit managers for resolution at the point of service delivery. If a negotiated solution cannot be reached, the problem moves up the existing chain of command until the problem is resolved.

Deere Credit Services IS shared services has divisional steering committees made up of managers of the various departments in the division. These committees focus on budget and resource allocation decisions within the divisions.

The IS senior-level steering committee keeps senior managers involved so they understand what is going on, why there is a need for more staff members, why there are problems, etc. This committee exists for information sharing, not controlling.

The creation of effective process measurements that incorporate customer requirements and reflect the strategy and objectives of the corporation is the final step in the design phase of the SSC initiative.

Develop Process Performance Measures

Measurement is the most critical aspect of any system that targets behavioral and performance improvements as its reason for existence. An SSC cannot be designed or operated effectively unless the criteria for evaluating its success and progress are clearly delineated. Two primary objectives underlie the creation of performance measurements within the shared services environment; they are:

- serving as the basis for developing service-level agreements and pricing arrangements with customers; and
- defining and measuring the success of the SSC and its employees.

Measurement is a key element, but that does not mean that every aspect of the process should be measured—focused measurement of key performance indicators is the goal.

An effective performance management program, as illustrated in Exhibit 9, is made up of three critical components: the performance management process, infrastructure, and culture. The underlying process must be integrated and continuous in nature, representing a systematic link between the company strategy, resources, processes, and actions. The measurements chosen must not result in conflicting messages about performance, and must seamlessly integrate and evaluate outcomes from the individual through the entity levels.

The following steps can be used to define and design the performance management process for the SSC.

- Effectively articulate the SSC strategy, concisely identifying what the SSC should achieve and how these objectives link to the overall company strategy.
- Link the SSC strategy to the key drivers of

EXHIBIT 9. A PERFORMANCE MANAGEMENT STRUCTURE
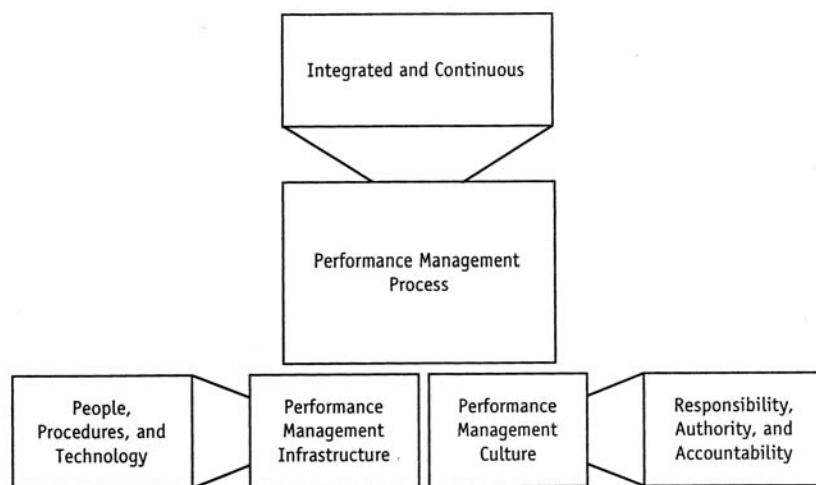
value in the business and support service to ensure that the measures and targets that are developed are consistent with the creation of shareholder and customer (internal and external) value.

- Set measures and targets that will signal whether value is being created and strategies are being achieved. The resulting KPIs (key performance indicators) should serve as the primary means for communicating business results using a common language. Both short- and long-term targets should be set for each KPI to encourage both continuous improvement and breakthrough improvement.
- Develop performance plans that will enable the organization to reach the KPI targets. These plans will help prioritize existing and future initiatives in the SSC, including the implementation of new technologies, optimization of resources, and alignment of business processes.
- Continuously monitor and evaluate performance results. Ongoing monitoring institutionalizes the performance management system

as the common language for discussing business results and creating requisite focus on important strategic and operational issues.
- Encourage the desired behavior needed to achieve performance results. Aligning individual actions and motivations with those of the SSC and the entity is the key enabler in creating a performance-centered culture.

The performance management culture serves to support the performance management process. It encompasses the existing responsibility, authority, and accountability structures of the organization. Within an SSC design effort, many of these existing relationships are changed. Even so, the final measures and their integration must be compatible with the control objectives and climate of the organization. Noting who is responsible for what outcomes and where the authority lies to address problems or provide solutions is part of any effective measurement process. A major issue in the "culture" arena is the definition and execution of human resource strategies that will ensure that individuals will be

fairly and effectively evaluated and motivated within the SSC structure.

The final component, the performance management infrastructure, includes the people, procedures, and technologies used to plan, execute, monitor, and evaluate the performance of the SSC. The detailed list of reports to be made, the persons who will provide data or receive results, and the underlying hardware and software choices all affect the nature of the measurement process and its level of responsiveness. For information to have value, it must be timely, objective, accurate, and relevant. These rules apply equally to any form of information, whether detailing market trends or tracking the performance of an SSC. The infrastructure of the measurement system can have significant impact on the user's perceptions of its usability, value, and informativeness.

Any number of potential measurements can be used to reward, monitor, and evaluate the SSC's performance. Using a variety of data sources, including customer satisfaction surveys, financial data, and operational results, the SSC measurements can focus on the overall satisfaction of customers with the service, the value delivered versus the cost charged, and how well the SSC is meeting service unit requirements (e.g., on-time delivery). Activity-based costing can provide information on current average costs for a service, which can be compared to overall objectives or benchmark targets.

For example, American Express has reengineered its finance function to consolidate over 40 transaction centers around the world into three centers of excellence. These financial resource centers (FRCs) have integrated performance measurement concepts at the organization, people, and process levels. Performance measurement is activity-based and tied to key indicators. The performance measurement program provides a platform for benchmarking across the FRC system and maintains a focus on best practices.

A balanced scorecard model is preferable in all measurement systems as it makes clear the tradeoffs between quality, cost, responsiveness, delivery, and innovation. The depiction of the subsequent results can be done through comparative scorecards, alert or exception reporting trend graphs for the KPIs, explanations and action planning, or component level analysis. Regardless of how the performance is depicted, it is important that the measurements be seen as fair and objective if they are to be accepted by customers and providers of the shared service.

Creating individual performance measures is a major part of the measurements design process for an SSC. This effort should include the development of job descriptions and reporting relationships, evaluation of current competencies, identification of training and hiring needs, and development of a migration strategy including severance and retention packages. It is an unfortunate fact that often the most talented employees are lost in the migration to a shared services structure. An effective SSC design must use measurement strategies and competency modeling to reduce the ambiguity and discomfort of affected employees, thereby mitigating or avoiding a major business risk—loss of core knowledge from the organization.

A series of efforts can be used to ensure that the migration to the shared services model has minimal negative impact on the human resources needed for effective functioning of the SSC, including the following:
- in the design of the SSC organization struc-

ture, consider the use of process teams, mini-mize the hierarchy and levels, define clear accountabilities for customer service, and determine staffing requirements for each core activity;

- develop job descriptions and reporting relation-ships, evaluate the capacity of each employee to perform multiple tasks/jobs to create team-work and eliminate workload peaks, coordi-nate all efforts with human resources, and define position titles;
- develop team-based and individual perfor-mance measures;
- assess employee competencies;
- determine hiring and training needs, including the design of objective hiring criteria;
- identify key employees to transfer into the SSC;
- develop and co-organization severance and retention packages;
- conduct preliminary discussions with affected employees;
- redesign policies and procedures to account for standardized processes, systems, and new organizations; and
- ensure that the individual and team metrics are consistent with the defined SSC measurements.

In the end, the SSC will be only as effective as the measurements used to define, monitor, and adjust the efforts of its individuals, teams, and managers to optimize the delivery of high-quality services to customers within defined cost con-straints. If balanced, effective measurements are created, the SSC will have a much higher probability of achieving its stated objectives and providing performance and profit improvements for the organization. Once these design goals have been achieved, the SSC project team can turn its attention to the actual implementation of the SSC structure.

Implement Shared Services Organization

The focus of the implementation phase of an SSC initiative is on change management and process improvement, all done with minimum risk to the organization. Newly defined support service process methods and flows are put in place. The SSC project team, in conjunction with the steering committee, also has to determine whether to roll out the move to shared services incrementally or all at once. Creating a customer-focused organization and staffing it with compe-tent employees are core aspects of the imple-mentation. Two key objectives are embedded in the implementation phase, including:

- developing the change management plan; and
- promoting a cost-conscious, customer-focused mind set.

Developing the Change Management Plan

The implementation of the SSC is done within the framework of a change management process that focuses on minimizing the overall business risk to the organization, the disruption in service to customers, and the overall impact on affected employees. The key is to deal with these issues up front, ensuring that the amount of ambiguity, misunderstanding, and miscommunication is reduced or eliminated. A failure to adequately prepare employees or customers for the change from traditional support services to the shared service structure can result in low employee morale and a feeling of loss of power from the various business units.

The change management plan should comprise elements such as:

- project rollout;
- recruitment and training; and
- change management strategy.

Project Rollout

The rollout plan, staffing decisions, and effective-

ness of the overall change management process define the success of initial SSC implementation and its ultimate ability to meet its stated objectives. On the rollout dimension, the decision must be made by the SSC project team as to whether to implement the changes incrementally or all at once.

The choice of a pilot versus comprehensive rollout will be driven by many factors, including the availability of funds for the project, the organization's need for immediate results, and the degree of risk the project represents for the organization. The pros of covering all functions affiliated with the SSC are that the change can generate strong results and impressive cost savings in a short period of time.

The cons associated with the comprehensive rollout include higher cost, higher visibility, and higher risk than the incremental approach. It requires far more dedicated resources to convert all of the functions to the SSC model than it would to move just a few key functions to the new structure. Aetna, Monsanto, and Amoco converted all selected functions to shared services simultaneously and were satisfied with the process and the results achieved.

The use of a conference room pilot can be quite useful in making the decision about the degree and intensity of the rollout. This form of pilot project involves a minimal setup of new hardware and software at a central site, along with the tie in of several remote locations to test the entire design and its functionality. The conference pilot can be used to identify unique requirements for the full-scale SSC implementation and assess the overall risks of the project. Detailed requirements, co-organization of workflows, and the final design of the SSC can all be completed within the conference pilot process. Technical

support and systems are implemented during the pilot, and selected business scenarios can be tested to determine how well the process will function once fully implemented.

As the implementation moves out of the conference room and into the organization, attention shifts to change management and process improvement initiatives. The newly defined processing methods will be implemented, and all untested business scenarios will be queried. Data conversion and testing begins, as the SSC migrates toward online processing. Specific activities that need to take place during the phased rollout of the SSC include:
- converting systems;
- implementing staffing approach;
- migrating functions to the SSC;
- finalizing service-level agreements, including pricing options;
- implementing performance measures;
- redesigning processes;
- conducting training sessions; and
- developing a continuous improvement plan.

Of these efforts, the recruitment and training of SSC staff is critical to the short- and long-term success of the initiative.

Recruitment and Training

The staffing levels and required competencies for the SSC are key issues that must be addressed during implementation. If there are no constraints on reductions or composition of the final SSC staff, appropriate staffing levels can be driven by either internal or external benchmark data. An activity-based cost analysis can also provide insight into allowable cost levels given the competitive price for comparable outsourced services.

Monsanto's Staff Alliance Study helped identify target recommendations regarding the number of people required to perform various functions, relative to the size of the company and the type of work to be done. These targets were presented to the design teams as initial recommendations. In addition, some best practices work was done to set the targets.

The processes that have been used by best practice SSC organizations to fill key center positions are summarized in Exhibit 10. Usually, it is as difficult to ensure that vital employees are retained in the new structure as it is to find the optimal staffing level and deal with the unavoidable severance issues that come on the heels of an SSC success. Once the SSC is staffed, attention has to turn to training of line personnel on the relationship between service costs, efficiency, and true customer needs as well as how to operate and use the new technologies and systems.

Defining key skills and competencies for the SSC employees, assessing their current level of capa-bility, and creating a training and education program to help individuals address specific shortcomings are all part of the recruitment and training of SSC staff. Making the transition from a corporate staff mentality to the customer-focused organization, which is the essence of an effective SSC, does not take place overnight. For some employees, the change can never be completely made. In choosing staff and implementing the change process, then, adaptability and responsiveness to customers have to play a dominant role in the final choice of SSC staff. All these issues come together in the application of a sound change management strategy.

Change Management Strategy

Change management issues play a key role in the success of any SSC implementation. Communication plays a key role in these efforts, as people seek to be informed about what is going on and how it affects them. Senior management has to be kept focused on the goals of the project, which requires active, frequent communication with the core project management group.

EXHIBIT 10. SSC STAFFING PROCESSES IN BEST PRACTICE ORGANIZATIONS
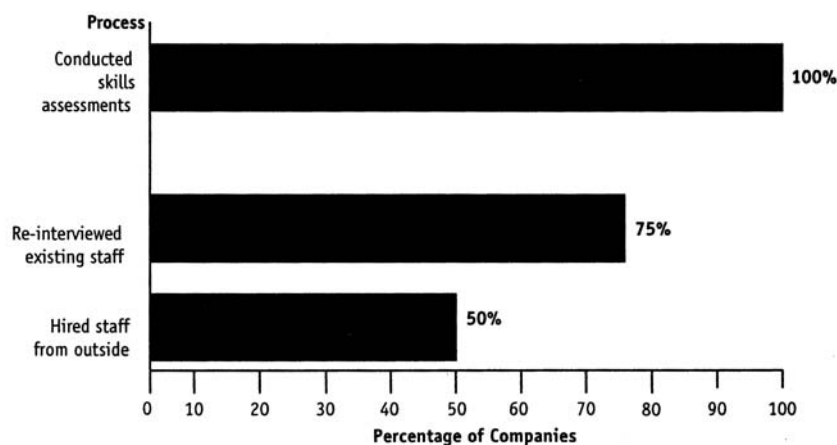
Source: APQC Best Practice guideline: 21

The transition to the new structure needs to emphasize both sides of the human equation underlying SSC initiatives: business unit and employee resistance and involvement. Easing the transition on the business unit side means paying attention to the concerns over loss of power by the business unit management and appeasing worries over the potential risk of reduced service quality and support responsiveness that may have been experienced in prior corporate centralization efforts.

The key to overcoming business unit resistance is to make the value of the SSC to the business unit clear and to involve business unit management with the change process, including defining the SSC design and implementing it within the organization.

In addressing the needs of the business unit, it is imperative that the SSC project team remember that there is a distinct difference between control and influence. While the business units are giving up some control by moving to the SSC structure, they should retain approximately the same level of influence over its service criteria, costs, and service options. In a customer-focused setting, this is ensured.

To ease the transition for employees, several key steps need to be taken. First, a solid communications plan must be designed and executed. Second, support programs for both displaced and "surviving" employees need to be developed. Third, attention has to be paid to adequately motivating employees during the transition. Fourth, teams should be used to increase employee involvement in the change, including design team and implementation team participation. Finally, education and training have to be crafted to help employees make the transition to the new structure and new job demands.

One of the most successful aspects of Monsanto's change management process was its use of programs to help employees cope with the changes associated with moving to shared services. In 1994 alone, Monsanto underwent five rounds of downsizing. Obviously, this process had a continuing impact on the morale of employees. Specific training for the service group leaders was implemented. The training focused on how to recognize when an employee needs outside assistance, how to be proactive in recognizing resistance to change, and other related topics.

Communication serves two primary functions: to create a sense of awareness and understanding of the SSC concept and to gain commitment to the change. Open communication at key points in the SSC implementation will reduce anxiety and increase comfort with the new system. Support programs serve a similar role, helping individuals understand the dynamics of change and its impact on their position as well as identifying which employees need help in making needed transitions. Survivors often feel guilty about retaining their positions at the apparent cost of fellow employees. Helping affected individuals adjust to the SSC implementation is not "feel good" management, it is an essential element of effective change management.

To motivate employees during the transition, incentives, stay-on bonuses, and related rewards can be used to keep key staff motivated during the change. Team membership can heighten the impact of these motivational tools, increasing commitment and knowledge of the staff while improving the implementation through the active collaboration of subject matter experts.

Education and training can be used to upgrade technical skills and enhance customer service

and consultative skills among SSC employees. These latter skills are often new to the employees, and can be the source of significant concern if employees are not properly trained and coached to function effectively in the new environment. Taken in total, the stress and problems entailed in the transition to the SSC concept can each be managed through careful planning, ongoing communication, education, and employee involvement. Taking the threat out of the change is essential if a customer-focused culture is to be developed.

Promoting a Cost-Conscious, Customer-Focused Mindset

Changing the attitudes of the employees and overall culture of the shared service center to one that emphasizes cost consciousness and a customer focus requires constant attention and reinforcement before, during, and after the SSC implementation. The SSC is a freestanding business that will succeed or not based on how well it meets its customer's needs. Business units must feel they are getting the desired services at reasonable costs and quality levels if they are to remain supportive of the SSC. If the business unit—the customer—becomes disenchanted with the SSC, it will likely turn to other solutions to its support service problems. Outsourcing is always an option for the business unit and a risk for the SSC—one that must be actively guarded against through the provision of superior service.

Several different approaches can be used to build a customer-focused organization: providing feedback to customers, receiving feedback from customers, tying compensation to performance, and assigning staff to customers.

Communicating with the business unit customers is an ongoing part of effective SSC management. Providing business unit managers with sum-maries of their service use and costs is one way to help them better plan their needs and control their costs. The shared services staff can also provide internal consulting support to the business units as part of the service package geared toward improving business unit performance.

Performance evaluation is a two-way street. For the SSC to become truly customer-driven, it must turn to customers not only for a definition of its objectives and mission but for an evaluation of its achievements against stated goals. Whether the customer feedback is gained through customer satisfaction surveys, monitoring of customer usage, focus groups, analysis of customer response to pricing, or negotiations to set service-level agreements, the goal is the same—to utilize customer feedback to direct improvement efforts.

Over 80 percent of "best practice" SSC organizations also leverage incentives in the quest to create a customer-driven culture. Between 10 and 50 percent of each SSC employee's compensation is tied to performance against the service-level agreement metrics and requirements, with senior management facing higher percentages of "pay at risk" than individual staff members. It is much easier to create a customer focus when an individual's pay level is affected. It is one of the most effective ways to communicate how important the customer focus is within an SSC context.

A final way to build a customer-focused SSC culture is to close the gap between customers and individual employees by direct assignment of staff to business units or customers. Communication and understanding are improved through the direct, consistent contact and interaction of customers and suppliers of the SSC effort. Whether the connection is made by physically moving an employee to the customer's site or simply by creat-

ing electronic linkages that proxy for on-site accessibility, the goal is the same: to improve understanding of requirements and capabilities on both sides of the SSC equation in order to better leverage resources and direct improvement efforts.

Once the implementation is completed, attention turns to optimizing the SSC's performance over the long-term.

Optimize Shared Services

The key objective of the final SSC implementation phase is to optimize the process through the application of continuous improvement techniques and ongoing changes to the processes to create further gains in efficiency and service quality. Steps organizations can take to achieve this objective include:
- develop continuous improvement plans;
- evaluate organization roles and responsibilities and adjust as necessary; and
- upgrade systems as appropriate in order to support the redesigned process.

Continuous improvement plans should be part of the original SSC charter, as well as an ongoing criterion for evaluation. Benchmark studies can provide one source of improvement data, detailing current performance against best practice organizations and identifying key performance gaps. Improvement plans should include the measurements that will be used to track improvement, the total improvement goal and its time phases, benefits or incentives tied to goal achievement, and resource availability for reengineering and related activities to gain new improvements.

The performance of the SSC organization should be continuously monitored to ensure that it is meeting goals and increasing the value delivered to customers. This feedback should come from both direct measurements and from contact with SSC customers. As the SSC organization matures, it may be possible to further reduce staffing due to learning curve benefits or to enhance the skills and refocus responsibilities to increase performance and motivation. Many of the ideas for these changes will emanate from the SSC staff, who will be among the first to recognize that improvements can be made. If their suggestions are listened to, acted on, and rewarded, a culture of innovation can be created in the SSC.

Finally, the need to upgrade systems as changes are made to the SSC process or as new technologies emerge that can provide service enhancements or cost improvements is a constant. For the internal service provider to truly compete with external sources for the services, it must be able to keep at the forefront of critical technologies and use these advances to improve the quality and value of the services it provides to customers. With the "market" serving to constrain unnecessary spending, the SSC structure can provide an effective screening mechanism for technology spending. Unless the entire entity benefits from the investment, it is unlikely to take place in a cost-conscious, customer-focused SSC.

Even if all of these steps are followed carefully and management attention and support is consistent and adequate, the SSC team will need to be aware of and respond to a variety of implementation pitfalls.

VII. IMPLEMENTATION PITFALLS

The implementation of a shared services structure is as prone to problems as any other major change effort. Some reasons why the implementation of shared services fail include:
- lacking a strong executive champion;

- centralizing functions without creating an entrepreneurial spirit and without operating like a business;
- inadequately defining base-line costs, poorly tracking benefits achieved, and misdirecting resources;
- inadequately engaging or failing to engage and motivate experienced personnel to use their own demonstrated best practices;
- failing to overcome paradigms such as getting stuck in old structures, processes, and benefits;
- failing to create a team environment that nurtures a sense of ownership in implementing the SSC;
- missing focus on continuous improvement in cycle time, unit costs, defect rates, and service opportunities, and thereby failing to achieve the full range of benefits and customer services from the SSC;
- failing to establish and/or define performance measures and service-level agreements, resulting in the inability to achieve full value from the SSC structure; and
- failing to consider moving to the SSC structure

as critical and failing to establish and maintain a sense of urgency for the transition.

To avoid these pitfalls, SSC management has to engage as many of the available success enablers as is feasible. These enablers include a culture supportive of change, strong executive support, and information technology support. Effective communication also plays a dominant role in removing the obstacles and pitfalls in an SSC implementation.

What are the critical success factors in an SSC implementation that make optimal use of success enablers and minimize the potential for exposure to fatal pitfalls? These success factors are illustrated in Exhibit 11.

Sound planning, effective leadership and communication, a constant attention to customer needs, and creation of a viable performance management process combine to create a culture and context where an SSC implementation can thrive. Creating this environment is a possibility for any organization in any industry.

EXHIBIT 11. CRITICAL SUCCESS FACTORS FOR SHARED SERVICES

Strategic	Tactical	Human
• Alignment with merged entity's strategy and goals • Decisive and committed leadership • Effective up-front planning • Development of a clear set of guiding principles • Creating performance milestones	• Quick mobilization • A focus on details • Common analysis and decision-making framework • Clear priorities (e.g., standardize vs. consolidate vs. reengineer) • Customer focus • Practical expectations	• Comprehensive communication with employees and customers • A disciplined team structure • Coordination with other merger integration teams (synergy study) • Mechanism to address change • Comprehensive training initiatives • Mechanism for knowledge transfer

VIII. CONCLUSION

Whether the SSC initiative takes place in finance, human resources, facilities, legal services, or some other part of the support area, the goal is the same: to better leverage resources to create value, reduce costs, and increase the quality of support work. The liberated resources are not simply added to profits. In many organizations, the SSC-based savings are being reinvested in increasing the value-added content of the organization's products and services, resulting in competitive gains and revenue/market share growth. SSCs are not a panacea or fad—they are a practical solution to the long-standing need to control nonessential costs in a competitive environment.

APPENDIX

Questions Most Often Asked
During Shared Services Projects

The following potential questions may be posed to the organization's executive in relation to the shared services project:

General Aspects

- Why is the organization moving to the shared services concept?
- Is not shared services just a move toward centralization?
- Where are the shared services centers going to be located?
- How will the success/failure of shared services be determined?
- How will the pilot sites be selected for initially implementing shared services?
- Must each operating unit join the shared services initiative, i.e., is it mandatory? If it is not voluntary, what will determine the order in which our organization joins?
- How will the shared services center comply with local legal and tax regulations?
- How will the organization address the legal, tax,

cultural, and other national barriers of operating shared services in a global community?
- How will the shared services project be prioritized and/or coordinated with other projects already in progress?
- What are likely site(s) for a shared services center?
- What can be done to accelerate and ease the transition to shared services?
- Is this project a first step in moving toward outsourcing the finance and accounting functions?

Financial Aspects

- Are organizations obliged to join the shared services center if they are able to achieve the same level of savings on their own?
- When will proposed savings be able to be realized?
- What is the cost or budget for this project?
- Will local units have to pay for implementing shared services or will the project be funded centrally?
- What return on investment is expected from the shared services project?
- Will local organizations be billed by the shared services centers?

Corporate Environment

- How will the organization ensure that local organizations are not dependent on the shared services center? For example, what will happen at the group level in the event of a significant interruption in business (e.g., disaster, labor dispute, interruption in electrical supply) in the shared services center? How will local units continue to operate?
- What do the organization's competitors do in terms of shared services?

Human Resources

- Which people will be affected by shared services and what will happen?
- Will there be a loss of jobs due the shared ser-

vices initiative?

- If there are going to be job losses due to shared services, when will they occur?
- How will the people be selected for working in the shared services center?
- If I choose to or am allowed to relocate to the shared services center, will pay and benefits be the same as they are now? Will the organization pay for moving costs or subsidize it in any way?
- What will happen to employees not transferring to the shared services center? Will they be retrained and redeployed, severed, or otherwise affected?
- How will the organization's employees' labor unions react to this project?

Customer Service Level and Pricing

- How will the operating units be charged for the shared services output, both in the start-up phase where costs may be higher than currently incurred and in the post start-up period?
- Will the prices charged for services rendered be uniform, with perhaps price reductions for lower cost services, or will prices be determined by how well the operating units can bargain for their needs?

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